

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Township of Pennfield	County Calhoun
Fiscal Year End 3/31/07	Opinion Date June 15, 2007	Date Audit Report Submitted to State July 20, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

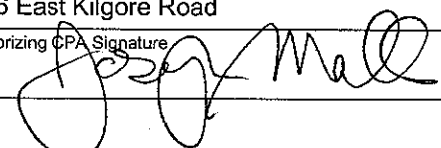
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**Check each applicable box below.** (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

<b>We have enclosed the following:</b>	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	None required	
Other (Describe)	<input type="checkbox"/>	No further communication required	
Certified Public Accountant (Firm Name) Siegfried Crandall PC		Telephone Number 269-381-4970	
Street Address 246 East Kilgore Road		City Kalamazoo	State MI
Authorizing CPA Signature 		Printed Name Joseph M Walls, CPA	Zip 49002
		License Number 1101013696	

*Charter Township of Pennfield*  
*Calhoun County, Michigan*  
**FINANCIAL STATEMENTS AND  
INDEPENDENT AUDITORS' REPORT**  
*Year ended March 31, 2007*

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Charter Township of Pennfield**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Our discussion and analysis of the Charter Township of Pennfield's (the Township) financial performance provides a narrative overview of the Township's financial activities for the fiscal year ended March 31, 2007. Please read it in conjunction with the Township's financial statements.

**FINANCIAL HIGHLIGHTS**

- The Township's total net assets increased by \$338 thousand (3 percent) as a result of this year's activities. Net assets of the governmental activities increased by \$85 thousand and net assets of the business-type activities increased by \$254 thousand.
- Of the \$10.2 million total net assets reported, \$3.4 million (34 percent) is unrestricted, or available to be used at the Board's discretion.
- The General Fund's unreserved, undesignated fund balance at the end of the fiscal year was \$1.8 million which represents 84 percent of the actual total General Fund expenditures for the current fiscal year.

**Overview of the financial statements**

The Township's basic financial statements are comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and an optional section that presents combining statements for nonmajor governmental funds and internal service funds as well as additional information. The basic financial statements include two kinds of statements that present different views of the Township:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Township, reporting the Township's operations in more detail than the government-wide financial statements.
  - Governmental fund statements tell how general government services, like public safety, were financed in the short-term as well as what remains for future spending.
  - Proprietary fund statements offer short- and long-term financial information about the activities the government operates like a business, such as the sewer and water systems.
  - Fiduciary fund statements provide information about the financial relationships in which the Township acts solely as a trustee or agent for the benefit of others to whom the resources in question belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

**Charter Township of Pennfield**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**Government-wide financial statements**

The government-wide financial statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the Township's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Township's net assets and how they have changed. Net assets (the difference between the Township's assets and liabilities) is one way to measure the Township's financial health, or position.

- Over time, increases or decreases in the Township's net assets are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Township, you need to consider additional nonfinancial factors such as changes in the Township's property tax base and the condition of the Township's capital assets.

The government-wide financial statements are divided into two categories:

- *Governmental activities* - Most of the Township's basic services are included here, such as the police, fire, library, and general government. Property taxes and state grants finance most of these activities.
- *Business-type activities* - The Township charges fees to customers to help it cover the costs of certain services it provides. The Township's sewer and water systems are reported here.

**Fund financial statements**

The fund financial statements provide more detailed information about the Township's most significant funds - not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law and by bond agreements.
- The Township establishes other funds to control and manage money for particular purposes (like Public Safety) or to show that it is properly using certain taxes and other revenues.

The Township maintains three types of funds:

- *Governmental funds*. Most of the Township's basic services are included in governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flow in and out and, (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statements that explain the relationship between them.

**Charter Township of Pennfield**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

- **Proprietary funds.** Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-and short-term financial information. In fact, the Township's enterprise funds are the same as its business-type activities, but provide more detail and additional information, such as cash flows.
- **Fiduciary funds.** These funds are used to account for the collection and disbursement of resources, primarily taxes, for the benefit of parties outside the government. The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The Township's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE**

**Net assets.** Total net assets at the end of the fiscal year were \$10.2 million, an increase of 3.4 percent compared to the prior year. Of this total, \$6.7 million is invested in capital assets and \$48 thousand is restricted for various purposes. Consequently, unrestricted net assets were \$3.4 million, or 34 percent of the total.

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Totals</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Current and other assets	\$ 1,980,119	\$ 2,192,166	\$ 1,701,802	\$ 1,587,371	\$ 3,681,921	\$ 3,779,537
Capital assets	1,365,355	1,210,350	9,139,642	9,146,236	10,504,997	10,356,586
<b>Total assets</b>	<b>3,345,474</b>	<b>3,402,516</b>	<b>10,841,444</b>	<b>10,733,607</b>	<b>14,186,918</b>	<b>14,136,123</b>
Other liabilities	83,669	117,620	140,219	151,253	223,888	268,873
Long-term debt	134,171	241,864	3,645,000	3,780,000	3,779,171	4,021,864
<b>Total liabilities</b>	<b>217,840</b>	<b>359,484</b>	<b>3,785,219</b>	<b>3,931,253</b>	<b>4,003,059</b>	<b>4,290,737</b>
Net assets:						
Invested in capital assets						
net of related debt	1,231,184	968,486	5,494,642	5,366,236	6,725,826	6,334,722
Restricted	48,105	55,472	-	-	48,105	55,472
Unrestricted	1,848,345	2,019,074	1,561,583	1,436,118	3,409,928	3,455,192
<b>Total net assets</b>	<b>\$ 3,127,634</b>	<b>\$ 3,043,032</b>	<b>\$ 7,056,225</b>	<b>\$ 6,802,354</b>	<b>\$ 10,183,859</b>	<b>\$ 9,845,386</b>

**Charter Township of Pennfield**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

**Changes in net assets.** The Township's total revenues are \$3.4 million. Nearly 30 percent of the Township's revenues come from property taxes and another 33 percent come from charges for services.

The total cost of all the Township's programs, covering a wide range of services, totaled \$3.0 million. More than 39 percent of the Township's costs relate to the provision of utility services. Public safety costs account for 42 percent of the costs and general government costs account for 14 percent of the Township's total costs.

	<b><u>Governmental Activities</u></b>		<b><u>Business-type Activities</u></b>		<b><u>Totals</u></b>	
	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>	<b><u>2007</u></b>	<b><u>2006</u></b>
Program revenues:						
Charges for services	\$ 149,684	\$ 183,177	\$ 948,743	\$ 1,030,545	\$ 1,098,427	\$ 1,213,722
Operating grants	11,679	12,440	-	-	11,679	12,440
Capital grants	66,095	41,297	187,532	-	253,627	41,297
General revenues:						
Property taxes	997,118	951,618	-	-	997,118	951,618
State grants	673,685	683,644	-	-	673,685	683,644
Investment earnings	85,696	48,309	66,663	43,926	152,359	92,235
Gain on disposal of assets	142,087	-	-	-	142,087	-
Other	31,841	21,823	-	462	31,841	22,285
<b>Total revenues</b>	<b><u>2,157,885</u></b>	<b><u>1,942,308</u></b>	<b><u>1,202,938</u></b>	<b><u>1,074,933</u></b>	<b><u>3,360,823</u></b>	<b><u>3,017,241</u></b>
Expenses:						
Legislative	7,440	7,117	-	-	7,440	7,117
General government	438,785	440,345	-	-	438,785	440,345
Public safety	1,278,507	1,303,406	-	-	1,278,507	1,303,406
Public works	86,921	69,628	-	-	86,921	69,628
Community and economic development	12,946	13,875	-	-	12,946	13,875
Interest	2,989	5,405	-	-	2,989	5,405
Sewer	-	-	761,733	718,891	761,733	718,891
Water	-	-	433,029	482,775	433,029	482,775
<b>Total expenses</b>	<b><u>1,827,588</u></b>	<b><u>1,839,776</u></b>	<b><u>1,194,762</u></b>	<b><u>1,201,666</u></b>	<b><u>3,022,350</u></b>	<b><u>3,041,442</u></b>
<b>Increase (decrease) in net assets before transfers</b>	<b>330,297</b>	<b>102,532</b>	<b>8,176</b>	<b>(126,733)</b>	<b>338,473</b>	<b>(24,201)</b>
Transfers	<u>(245,695)</u>	<u>-</u>	<u>245,695</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Increase (decrease) in net assets</b>	<b><u>\$ 84,602</u></b>	<b><u>\$ 102,532</u></b>	<b><u>\$ 253,871</u></b>	<b><u>\$ (126,733)</u></b>	<b><u>\$ 338,473</u></b>	<b><u>\$ (24,201)</u></b>



**Governmental activities**

The cost of all governmental activities this year was \$1.8 million. After subtracting the direct charges to those who directly benefited from the programs (\$150 thousand) and operating and capital grants (\$78 thousand) the "public benefit" portion covered by taxes, state revenue sharing and other general revenues was \$1.6 million.

Governmental activities increased the Township's net assets by \$330 thousand before transfers. Key factors in this increase were increased growth in the property tax base relative to expenses, higher interest revenue from interest rate increases on invested funds, and a one time gain of \$142 thousand resulting from the receipt of insurance proceeds in excess of the recorded value of a fire vehicle involved in an accident during the year.

**Business-type activities**

Business-type activities increased the Township's net assets by \$8 thousand before transfers. The Sewer Fund generated a net asset decrease of \$81 thousand and the net assets of the Water Fund increased by \$90 thousand, after charges for depreciation of \$191 thousand and \$149 thousand, respectively. Both the Sewer and Water funds generated positive cash flows from operating activities of \$105 thousand and \$155 thousand, respectively. Cash used for the water system extension in the amount of \$334 thousand was offset by \$181 thousand in tap fees, and a \$246 thousand transfer from the Township's General Fund. The net Sewer Fund cash increase was \$46 thousand, while the total Water Fund cash decreased by \$33 thousand for the year. The Water Fund purchased an additional \$112 thousand in investments during the year, so all other transactions in the Water Fund resulted in a positive cash flow of \$79 thousand.

**FINANCIAL ANALYSIS OF THE TOWNSHIP'S FUNDS**

**Governmental funds**

As of the end of the current fiscal year, the Township's governmental funds reported combined ending fund balances of \$1.9 million, a \$170 thousand decrease in comparison with the prior year. Of the total fund balances, 97 percent constitutes unreserved fund balance, which is available for spending at the Township's discretion.

The General Fund is the primary operating fund of the Township. At the end of the fiscal year, unreserved fund balance was \$1.8 million, which represents 84 percent of the actual total General Fund expenditures for the current fiscal year. The General Fund balance decreased by approximately \$172 thousand in the current fiscal year after a \$246 thousand transfer to the Water Fund. Both property taxes and interest revenues increased compared to the prior year.

**Proprietary funds**

The Sewer Fund experienced an operating loss of \$83 thousand. Net assets are \$4.7 million at year end.

The Water Fund generated operating income of \$26 thousand. Net assets are \$2.4 million at year end.

See the description of the components of the utility funds' financial results in the above description of business-type activities

**Charter Township of Pennfield**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**

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**General fund budgetary highlights**

The difference between the original budget and the final amended budget for expenditures was an increase of \$354 thousand primarily to recognize an approval for the purchase of two new fire trucks financed by casualty insurance proceeds.

**Capital assets and debt administration**

*Capital assets*

The Township's investment in capital assets for its governmental and business-type activities as of March 31, 2007, amounts to \$10.5 million (net of accumulated depreciation). This investment includes a broad range of assets including police and fire equipment, buildings, and sewer and water facilities. The Township's net investment in capital assets increased by \$148 thousand in the current fiscal year, as net asset additions (\$565 thousand) exceeded depreciation (\$417 thousand).

Major capital asset activity during the current fiscal year included capital outlays of \$300 thousand for firefighting equipment and \$334 thousand in costs for the construction of water mains serving the Pennfield School District.

More detailed information about the Township's capital assets is presented in Note 5 of the notes to the basic financial statements.

*Long-term debt*

At the end of the fiscal year, the Township had total long-term loans and contracts outstanding in the amount of \$3.8 million which represents a decrease of \$243 thousand or 6 percent. Of this amount, \$3.7 million is backed by the full faith and credit of the Township.

State statutes limit the amount of general obligation debt the Township can issue to 10 percent of its total state equalized assessed value of property. The Township's total general obligation debt of \$3.7 is significantly lower than the current state-imposed limit of \$26.4 million.

Other long-term debt obligations of \$38 thousand represent accrued compensated absences.

More detailed information about the Township's long-term liabilities is presented in Note 8 of the notes to the basic financial statements.

**Economic condition and outlook**

Approximately \$1.8 million is available for appropriation in the General Fund. This represents 97% of anticipated annual expenditures for the upcoming year, which indicates that the Township began the 2008 fiscal year in a positive financial position.

The Township has maintained its level of services and commitment to our citizens. We have been able to maintain this service level through prudent budgeting and careful cost containment. Revenues from property taxes are expected to increase minimally in 2008, while State Revenue Sharing will possibly decrease due to the economic conditions of the State.

**Economic condition and outlook (Continued)**

Revenues in the other governmental funds are used primarily to cover a portion of public safety and street lighting costs. Because of the nature of these funds, their fund balances are minimal. The expected public safety millage will cover approximately one half of the anticipated \$1.3 million public safety expenditures for 2008, while the street lighting levy will essentially cover the direct costs for those services.

**Contacting the Township's financial management**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Rob Behnke, Township Supervisor  
Charter Township of Pennfield  
20260 Capital Avenue NE  
Battle Creek, Michigan 49017

Phone: (269) 968-8549  
E-mail: [rob@pennfieldtwp.com](mailto:rob@pennfieldtwp.com)

## INDEPENDENT AUDITORS' REPORT

**Members of the Township Board  
Charter Township of Pennfield, Michigan**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pennfield, Michigan, as of March 31, 2007, and for the year then ended, which collectively comprise the Charter Township of Pennfield, Michigan's basic financial statements, as listed in the contents. These financial statements are the responsibility of the Charter Township of Pennfield, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Pennfield, Michigan, as of March 31, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

The management's discussion and analysis on pages i through vii, and the budgetary comparison schedule and analysis of funding progress on pages 26 through 29, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Members of the Township Board  
Charter Township of Pennfield, Michigan  
Page 2**

**Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise the Charter Township of Pennfield, Michigan's basic financial statements. The supplementary information, as listed in the contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the Charter Township of Pennfield, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.**

*Sigfried Crandall P.C.*

**June 15, 2007**

## **BASIC FINANCIAL STATEMENTS**

**Charter Township of Pennfield**  
**STATEMENT OF NET ASSETS**  
*March 31, 2007*

	<u><b>Governmental activities</b></u>	<u><b>Business-type activities</b></u>	<u><b>Totals</b></u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 1,135,229	\$ 1,195,992	\$ 2,331,221
Investments	603,207	312,728	915,935
Receivables, net	193,074	132,734	325,808
Prepaid expenses	40,000	-	40,000
Internal balances	<u>8,609</u>	<u>(8,609)</u>	<u>-</u>
Total current assets	<u>1,980,119</u>	<u>1,632,845</u>	<u>3,612,964</u>
Noncurrent assets:			
Receivables, net	-	68,957	68,957
Capital assets not being depreciated	111,417	-	111,417
Capital assets, net of accumulated depreciation	<u>1,253,938</u>	<u>9,139,642</u>	<u>10,393,580</u>
Total noncurrent assets	<u>1,365,355</u>	<u>9,208,599</u>	<u>10,573,954</u>
Total assets	<u>3,345,474</u>	<u>10,841,444</u>	<u>14,186,918</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	45,809	131,239	177,048
Customer deposits	-	8,980	8,980
Current portion of long-term obligations	<u>69,321</u>	<u>135,000</u>	<u>204,321</u>
Total current liabilities	115,130	275,219	390,349
Noncurrent liabilities - long-term obligations	<u>102,710</u>	<u>3,510,000</u>	<u>3,612,710</u>
Total liabilities	<u>217,840</u>	<u>3,785,219</u>	<u>4,003,059</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	1,231,184	5,494,642	6,725,826
Restricted for:			
Public safety	19,479	-	19,479
Public works	16,420	-	16,420
Parks and recreation	12,206	-	12,206
Unrestricted	<u>1,848,345</u>	<u>1,561,583</u>	<u>3,409,928</u>
Total net assets	<u>\$ 3,127,634</u>	<u>\$ 7,056,225</u>	<u>\$ 10,183,859</u>

*See notes to the financial statements*

**Charter Township of Pennfield**  
**STATEMENT OF ACTIVITIES**  
Year ended March 31, 2007

Functions/Programs	<u>Expenses</u>	<u>Program revenues</u>		
		<u>Charges for services</u>	<u>Operating grants and contributions</u>	<u>Capital grants and contributions</u>
Governmental activities:				
Legislative	\$ 7,440	\$ -	\$ -	\$ -
General government	438,785	41,783	-	20,376
Public safety	1,278,507	107,901	-	24,919
Public works	86,921	-	11,679	20,800
Community and economic development	12,946	-	-	-
Interest on long-term debt	2,989	-	-	-
Total governmental activities	<u>1,827,588</u>	<u>149,684</u>	<u>11,679</u>	<u>66,095</u>
Business-type activities:				
Sewer	761,733	638,104		-
Water	433,029	310,639		187,532
Total business-type activities	<u>1,194,762</u>	<u>948,743</u>		<u>187,532</u>
Total primary government	<u>\$ 3,022,350</u>	<u>\$ 1,098,427</u>		<u>\$ 253,627</u>
General revenues:				
Property taxes				
State grants				
Investment income				
Gain on disposal of capital assets				
Other				
Transfers				
Total general revenues and transfers				
Change in net assets				
Net assets - beginning				
Net assets - ending				



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***Net (expenses) revenues and changes in net assets***

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<b><i>Governmental activities</i></b>	<b><i>Business-type activities</i></b>	<b><i>Totals</i></b>
\$ (7,440)		\$ (7,440)
(376,626)		(376,626)
(1,145,687)		(1,145,687)
(54,442)		(54,442)
(12,946)		(12,946)
(2,989)		(2,989)
<u>(1,600,130)</u>		<u>(1,600,130)</u>
	\$ (123,629)	(123,629)
	<u>65,142</u>	<u>65,142</u>
	<u>(58,487)</u>	<u>(58,487)</u>
<u>(1,600,130)</u>	<u>(58,487)</u>	<u>(1,658,617)</u>
997,118	-	997,118
673,685	-	673,685
85,696	66,663	152,359
142,087	-	142,087
31,841	-	31,841
(245,695)	<u>245,695</u>	<u>-</u>
<u>1,684,732</u>	<u>312,358</u>	<u>1,997,090</u>
84,602	253,871	338,473
<u>3,043,032</u>	<u>6,802,354</u>	<u>9,845,386</u>
<u>\$ 3,127,634</u>	<u>\$ 7,056,225</u>	<u>\$ 10,183,859</u>

See notes to the financial statements

**Charter Township of Pennfield**  
**BALANCE SHEET - governmental funds**

March 31, 2007

	<u>General</u>	<u>Public Safety</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>ASSETS</b>				
Cash	\$ 1,088,931	\$ 17,672	\$ 28,626	\$ 1,135,229
Investments	603,207	-	-	603,207
Receivables, net	139,902	46,853	6,319	193,074
Due from other funds	59,974	-	-	59,974
Total assets	<u>\$ 1,892,014</u>	<u>\$ 64,525</u>	<u>\$ 34,945</u>	<u>\$ 1,991,484</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payables	\$ 45,809	\$ -	\$ -	\$ 45,809
Due to other funds	-	45,046	6,319	51,365
Total liabilities	<u>45,809</u>	<u>45,046</u>	<u>6,319</u>	<u>97,174</u>
Fund balances:				
Reserved for inspections	-	-	-	-
Unreserved	1,846,205	19,479	-	1,865,684
Unreserved, reported in nonmajor - special revenue funds	-	-	28,626	28,626
Total fund balances	<u>1,846,205</u>	<u>19,479</u>	<u>28,626</u>	<u>1,894,310</u>
Total liabilities and fund balances	<u>\$ 1,892,014</u>	<u>\$ 64,525</u>	<u>\$ 34,945</u>	<u>\$ 1,991,484</u>

Total fund balances \$ 1,894,310

Amounts reported for *governmental activities* in the statement of net assets (page 5) are different because:

Capital assets used in *governmental activities* are not a financial resource and, therefore, are not reported in the funds. 1,365,355

Prepaid expenses are not a current financial resource and, therefore, are not reported in the fund financial statements. 40,000

Accrual of compensated absences. (37,860)

Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. (134,171)

Net assets of *governmental activities* \$ 3,127,634

See notes to the financial statements

**Charter Township of Pennfield**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES - governmental funds**

Year ended March 31, 2007

	<u>General</u>	<u>Public Safety</u>	<u>Nonmajor governmental funds</u>	<u>Total governmental funds</u>
<b>REVENUES</b>				
Taxes	\$ 301,821	\$ 628,090	\$ 67,207	\$ 997,118
State grants	673,685	-	11,679	685,364
Federal grants	24,919	-	-	24,919
Fines and forfeitures	49,578	-	-	49,578
Licenses and permits	75,308	-	-	75,308
Charges for services	24,798	-	-	24,798
Interest and rentals	91,173	897	550	92,620
Other	338,738	-	-	338,738
Total revenues	<u>1,580,020</u>	<u>628,987</u>	<u>79,436</u>	<u>2,288,443</u>
<b>EXPENDITURES</b>				
Legislative	7,650	-	-	7,650
General government	417,595	-	-	417,595
Public safety	1,218,603	-	-	1,218,603
Public works	73,360	-	-	73,360
Community and economic development	13,446	-	-	13,446
Debt service:				
Principal	107,693	-	-	107,693
Interest	2,989	-	-	2,989
Capital outlay	360,499	-	10,802	371,301
Total expenditures	<u>2,201,835</u>	<u>-</u>	<u>10,802</u>	<u>2,212,637</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>(621,815)</u>	<u>628,987</u>	<u>68,634</u>	<u>75,806</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	695,297	-	-	695,297
Transfers out	(245,695)	(628,090)	(67,207)	(940,992)
Total other financing sources (uses)	<u>449,602</u>	<u>(628,090)</u>	<u>(67,207)</u>	<u>(245,695)</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(172,213)</u>	<u>897</u>	<u>1,427</u>	<u>(169,889)</u>
<b>FUND BALANCES - BEGINNING</b>	<u>2,018,418</u>	<u>18,582</u>	<u>27,199</u>	<u>2,064,199</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,846,205</u>	<u>\$ 19,479</u>	<u>\$ 28,626</u>	<u>\$ 1,894,310</u>

See notes to the financial statements

**Charter Township of Pennfield**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES - governmental funds (Continued)**  
*Year ended March 31, 2007*

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Net changes in fund balances - total governmental funds	\$ (169,889)
Amounts reported for <i>governmental activities</i> in the statement of activities (page 6) are different because:	
Capital assets:	
Assets acquired	404,032
Provision for depreciation	(77,293)
Book value of disposals	(171,734)
Long-term debt - principal repayment	107,693
Increase in prepaid expense	1,995
Net increase in liability for compensated absences	<u>(10,202)</u>
Change in net assets of <i>governmental activities</i>	<u>\$ 84,602</u>

*See notes to the financial statements*

**Charter Township of Pennfield**  
**STATEMENT OF NET ASSETS - proprietary funds**  
March 31, 2007

	<i>Enterprise funds</i>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 817,650	\$ 245,314	\$ 1,062,964
Investments	12,394	300,334	312,728
Receivables, net	81,650	51,084	132,734
	<u>911,694</u>	<u>596,732</u>	<u>1,508,426</u>
Total current assets			
Noncurrent assets:			
Receivables, net	36,232	32,725	68,957
Advance to other fund	300,000	-	300,000
Cash reserved for debt service	84,468	48,560	133,028
Capital assets, net of accumulated depreciation	4,271,432	4,868,210	9,139,642
	<u>4,692,132</u>	<u>4,949,495</u>	<u>9,641,627</u>
Total noncurrent assets			
Total assets	<u>5,603,826</u>	<u>5,546,227</u>	<u>11,150,053</u>
<b>LIABILITIES</b>			
Current liabilities:			
Payables	62,274	68,965	131,239
Due to other funds	5,765	2,844	8,609
Customer deposits	8,980	-	8,980
Current portion of long-term obligations	75,000	60,000	135,000
	<u>152,019</u>	<u>131,809</u>	<u>283,828</u>
Total current liabilities			
Noncurrent liabilities:			
Advance from other fund	-	300,000	300,000
Long-term obligations	750,000	2,760,000	3,510,000
	<u>750,000</u>	<u>3,060,000</u>	<u>3,810,000</u>
Total noncurrent liabilities			
Total liabilities	<u>902,019</u>	<u>3,191,809</u>	<u>4,093,828</u>
<b>NET ASSETS</b>			
Investment in capital assets, net of related debt	3,446,432	2,048,210	5,494,642
Unrestricted	1,255,375	306,208	1,561,583
	<u>4,701,807</u>	<u>2,354,418</u>	<u>7,056,225</u>
Total net assets			

See notes to the financial statements

**Charter Township of Pennfield**  
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN**  
**NET ASSETS - *proprietary funds***  
Year ended March 31, 2007

	<b>Enterprise funds</b>		
	<b><u>Sewer</u></b>	<b><u>Water</u></b>	<b><u>Totals</u></b>
<b>OPERATING REVENUES</b>			
Charges for services	\$ 615,022	\$ 282,690	\$ 897,712
Other	<u>23,082</u>	<u>27,949</u>	<u>51,031</u>
Total operating revenues	<u>638,104</u>	<u>310,639</u>	<u>948,743</u>
<b>OPERATING EXPENSES</b>			
Personnel costs	88,629	45,935	134,564
Contractual services	401,875	23,256	425,131
Repairs and maintenance	7,634	24,280	31,914
Supplies	7,160	7,805	14,965
Insurance	2,507	7,665	10,172
Utilities	2,388	11,421	13,809
Depreciation	191,203	148,924	340,127
Administrative fees	10,720	5,280	16,000
Other	<u>8,054</u>	<u>10,119</u>	<u>18,173</u>
Total operating expenses	<u>720,170</u>	<u>284,685</u>	<u>1,004,855</u>
Operating income (loss)	<u>(82,066)</u>	<u>25,954</u>	<u>(56,112)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Tap fees	-	181,407	181,407
Capital contributions from customers	-	6,125	6,125
Interest revenue	42,234	24,429	66,663
Interest expense	<u>(41,563)</u>	<u>(148,344)</u>	<u>(189,907)</u>
Total nonoperating expenses	<u>671</u>	<u>63,617</u>	<u>64,288</u>
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	<u>(81,395)</u>	<u>89,571</u>	<u>8,176</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>245,695</u>	<u>245,695</u>
<b>CHANGE IN NET ASSETS</b>	<u>(81,395)</u>	<u>335,266</u>	<u>253,871</u>
<b>NET ASSETS - BEGINNING</b>	<u>4,783,202</u>	<u>2,019,152</u>	<u>6,802,354</u>
<b>NET ASSETS - ENDING</b>	<u>\$ 4,701,807</u>	<u>\$ 2,354,418</u>	<u>\$ 7,056,225</u>

See notes to the financial statements

**Charter Township of Pennfield**  
**STATEMENT OF CASH FLOWS - proprietary funds**  
Year ended March 31, 2007

	<b>Enterprise funds</b>		
	<b>Sewer</b>	<b>Water</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers	\$ 631,875	\$ 301,713	\$ 933,588
Payments to vendors and suppliers	(439,021)	(100,668)	(539,689)
Payments to employees	(87,384)	(46,278)	(133,662)
Net cash provided by operating activities	105,470	154,767	260,237
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Acquisition of capital assets	-	(333,533)	(333,533)
Tap fees	-	181,407	181,407
Principal collections on special assessments	22,171	15,047	37,218
Special assessments interest	3,476	2,934	6,410
Principal payments on long-term debt	(75,000)	(60,000)	(135,000)
Interest payments on long-term debt	(43,125)	(149,844)	(192,969)
Transfers	-	245,695	245,695
Net cash used in capital and related financing activities	(92,478)	(98,294)	(190,772)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of investments	(6,493)	(112,516)	(119,009)
Interest received	39,482	22,764	62,246
Net cash provided by (used in) investing activities	32,989	(89,752)	(56,763)
<b>NET INCREASE (DECREASE) IN CASH</b>	45,981	(33,279)	12,702
<b>CASH - BEGINNING</b>	856,137	327,153	1,183,290
<b>CASH - ENDING</b>	\$ 902,118	\$ 293,874	\$ 1,195,992

See notes to the financial statements

**Charter Township of Pennfield**  
**STATEMENT OF CASH FLOWS - proprietary funds (Continued)**  
Year ended March 31, 2007

	<i>Business-type activities</i>		
	<i>Enterprise funds</i>		
	<u>Sewer</u>	<u>Water</u>	<u>Totals</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>			
Operating income (loss)	\$ (82,066)	\$ 25,954	\$ (56,112)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	191,203	148,924	340,127
Increase in receivables, net	(6,229)	(8,926)	(15,155)
Increase (decrease) in:			
Payables	620	(9,505)	(8,885)
Due to other funds	1,031	(1,680)	(649)
Customer deposits	911	-	911
Net cash provided by operating activities	<u>\$ 105,470</u>	<u>\$ 154,767</u>	<u>\$ 260,237</u>

See notes to the financial statements



**Charter Township of Pennfield**  
**STATEMENT OF FIDUCIARY NET ASSETS - agency fund**  
*March 31, 2007*

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**ASSETS**

Cash	\$ <u>12,622</u>
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**LIABILITIES**

Due to other governmental units	\$ <u>12,622</u>
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*See notes to the financial statements*

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies of the Charter Township of Pennfield, Michigan (the Township), conform to U.S. generally accepted accounting principles (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the significant accounting policies.

*a) Reporting entity:*

The accompanying financial statements present only the Township. There are no component units, entities for which the Township is considered to be financially accountable.

*b) Government-wide and fund financial statements:*

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the Township. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

*c) Measurement focus, basis of accounting, and financial statement presentation:*

The government-wide financial statements are reported using the economic resources, measurement focus, and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources, measurement focus, and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are expected to be collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):

*c) Measurement focus, basis of accounting, and financial statement presentation (continued):*

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the Township, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Public Safety Fund accounts for funds earmarked for the special revenue fund.

The Township reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the Township's sewage collection systems and treatment plant.

The Water Fund accounts for the activities of the Township's water distribution system.

Additionally, the Township reports the following fund types:

The Agency Fund, a fiduciary fund, which accounts for financial assets held for other units of government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector standards.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued):**

**d) Assets, liabilities, and net assets or equity:**

*i) Bank deposits* - Cash consists of cash on hand, demand deposits, and highly liquid short-term investments with original maturities of three months or less from the date of acquisition.

*ii) Receivables* - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the Township considers all receivables to be fully collectible.

*iii) Capital assets* - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., sewer and water systems, roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Governments can elect to account for infrastructure assets of government activities either retroactively to June 15, 1980, or prospectively. The Township has elected to account for its infrastructure assets prospectively, beginning April 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings	40 - 60 years
Building improvements	15 - 30 years
Water and sewer lines	50 - 75 years
Roads	10 - 30 years
Infrastructure	5 - 50 years
Equipment	3 - 5 years

*iv) Compensated absences* - It is the Township's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Township. Vested compensated absences are accrued when earned in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

*v) Fund equity* - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY:**

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Township's general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the activity level. All annual appropriations lapse at the end of the fiscal year.

**NOTE 3 - CASH AND INVESTMENTS:**

Cash as presented in the accompanying financial statements, consisted of the following:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Fiduciary</u>	<u>Total</u>
Deposits	\$ 1,134,804	\$ 1,195,992	\$ 12,622	\$ 2,343,418
Cash on hand	<u>425</u>	<u>-</u>	<u>-</u>	<u>425</u>
Total cash	<u>\$ 1,135,229</u>	<u>\$ 1,195,992</u>	<u>\$ 12,622</u>	<u>\$ 2,343,843</u>

*Deposits with financial institutions:*

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) and the Township's investment policy authorize the Township to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Township's deposits are in accordance with statutory authority. Custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the Township will not be able to recover its deposits. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are uncollateralized. At March 31, 2007, \$1,760,844 of the Township's bank balances of \$2,357,640 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Township believes that it is impractical to insure all bank deposits due to the amounts of the deposits and the limits of FDIC insurance. As a result, the Township evaluates each financial institution with which it deposits funds and assesses the risk level of each institution. Only the institutions with an acceptable estimated risk level are used as depositories.

*Investments:*

State statutes and the Township's investment policy authorize the Township to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; and e) investment pools composed of otherwise legal investments. All investments are reported at fair value.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 3 - CASH AND INVESTMENTS (Continued):**

At March 31, 2007, the Township's investments consisted of the following:

<u>Investment type</u>	<u>Fair value</u>	<u>Weighted average years to maturity</u>
Government National Mortgage Association	\$ 577,287	16.3
Federal Home Loan Bank	99,875	1.5
GNMA Unit Investment Trusts	232,581	N/A
Mutual funds	<u>6,192</u>	N/A
	<u>\$ 915,935</u>	

Investments in Government National Mortgage Association (GNMA) securities are explicitly backed by the full faith and credit of the federal government, and, accordingly, are not considered to have credit risk. Securities of the Federal Home Loan Bank are rated AA- by Standard & Poors.

**NOTE 4 - RECEIVABLES:**

At March 31, 2007, the Township's receivables were as follows:

	<u>Property taxes</u>	<u>Accounts</u>	<u>Inter- governmental</u>	<u>Totals</u>
Governmental activities:				
General Fund	\$ 22,433	\$ 8,240	\$ 109,229	\$ 139,902
Public Safety Fund	46,853	-	-	46,853
Nonmajor governmental funds	<u>6,319</u>	<u>-</u>	<u>-</u>	<u>6,319</u>
Total governmental activities	<u>\$ 75,605</u>	<u>\$ 8,240</u>	<u>\$ 109,229</u>	<u>\$ 193,074</u>
Business-type activities:				
Sewer Fund	\$ -	\$ 117,882	\$ -	\$ 117,882
Water Fund	<u>-</u>	<u>83,809</u>	<u>-</u>	<u>83,809</u>
Total business-type activities	<u>\$ -</u>	<u>\$ 201,691</u>	<u>\$ -</u>	<u>\$ 201,691</u>
Non current portion	<u>\$ -</u>	<u>\$ 68,957</u>	<u>\$ -</u>	<u>\$ 68,957</u>

All receivables are considered fully collectible.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS:**

Capital asset activity for the year ended March 31, 2007, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 111,417	\$ -	\$ -	\$ 111,417
Capital assets being depreciated:				
Buildings	303,093	-	-	303,093
Furniture, fixtures, and equipment	249,669	80,875	-	330,544
Vehicles	1,000,534	300,000	238,255	1,062,279
Infrastructure - drains	160,650	23,157	-	183,807
Subtotal	1,713,946	404,032	238,255	1,879,723
Less accumulated depreciation for:				
Buildings	169,157	5,857	-	175,014
Furniture, fixtures, and equipment	130,730	27,542	-	158,272
Vehicles	310,306	40,585	66,521	284,370
Infrastructure - drains	4,820	3,309	-	8,129
Subtotal	615,013	77,293	66,521	625,785
Total capital assets being depreciated, net	1,098,933	326,739	171,734	1,253,938
Governmental activities capital assets, net	\$ 1,210,350	\$ 326,739	\$ 171,734	\$ 1,365,355
Business-type activities:				
Sewer:				
Capital assets being depreciated:				
Sewer disposal system	\$ 9,356,385	\$ -	\$ -	\$ 9,356,385
Equipment	83,018	-	-	83,018
Subtotal	9,439,403	-	-	9,439,403
Less accumulated depreciation for:				
Sewer disposal system	4,904,728	187,127	-	5,091,855
Equipment	72,040	4,076	-	76,116
Subtotal	4,976,768	191,203	-	5,167,971
Total sewer fund capital assets, net	4,462,635	(191,203)	-	4,271,432

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 5 - CAPITAL ASSETS (Continued):**

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Water Fund:				
Capital assets being depreciated:				
Water supply system	\$ 6,412,026	\$ 333,533	\$ -	\$ 6,745,559
Equipment	<u>104,348</u>	<u>-</u>	<u>-</u>	<u>104,348</u>
Subtotal	<u>6,516,374</u>	<u>333,533</u>	<u>-</u>	<u>6,849,907</u>
Less accumulated depreciation for:				
Water supply system	1,758,103	140,155	-	1,898,258
Equipment	<u>74,670</u>	<u>8,769</u>	<u>-</u>	<u>83,439</u>
Subtotal	<u>1,832,773</u>	<u>148,924</u>	<u>-</u>	<u>1,981,697</u>
Total water fund capital assets, net	<u>4,683,601</u>	<u>184,609</u>	<u>-</u>	<u>4,868,210</u>
Business-type activities capital assets, net	<u>\$ 9,146,236</u>	<u>\$ (6,594)</u>	<u>\$ -</u>	<u>\$ 9,139,642</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 14,099
Public safety	58,078
Public works	<u>5,116</u>
Total governmental activities	<u>\$ 77,293</u>

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS:**

At March 31, 2007, the composition of interfund balances was as follows:

<u>Fund</u>	<u>Receivables</u>	<u>Fund</u>	<u>Payables</u>
General Fund	<u>\$ 59,974</u>	Public Safety Fund	\$ 45,046
		Nonmajor governmental funds	6,319
		Sewer Fund	5,765
		Water Fund	<u>2,844</u>
			<u>\$ 59,974</u>

The amount owed to the General Fund represent reimbursements due for costs paid on behalf of other funds.



**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued):**

A summary of interfund transfers for the year ended March 31, 2006, is as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
General Fund	\$ 695,297	Public Safety Fund	\$ 628,090
Water fund	<u>245,695</u>	Nonmajor governmental funds	67,207
		General Fund	<u>245,695</u>
	<u>\$ 940,992</u>		<u>\$ 940,992</u>

The transfers represent transfers of annual assessment revenues to offset related costs recorded in the Township's General Fund. Transfer to the Water Fund represents the Townships subsidy for current year water projects.

**NOTE 7 - PAYABLES:**

At March 31, 2007, the Township's payables were as follows:

	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Governmental activities:				
General Fund	<u>\$ 20,476</u>	<u>\$ 25,333</u>	<u>\$ -</u>	<u>\$ 45,809</u>
Business-type activities:				
Sewer Fund	<u>\$ 34,785</u>	<u>\$ 10,302</u>	<u>\$ 17,187</u>	<u>\$ 62,274</u>
Water Fund	<u>2,127</u>	<u>5,153</u>	<u>61,685</u>	<u>68,965</u>
Total business-type activities	<u>\$ 36,912</u>	<u>\$ 15,455</u>	<u>\$ 78,872</u>	<u>\$ 131,239</u>

**NOTE 8 - LONG-TERM OBLIGATIONS:**

At March 31, 2007, long-term liabilities are comprised of the following individual issues:

Governmental activities:

Notes:

\$160,650 0% 2004 Calhoun County Drain Commission Debt; due in annual installments of \$22,950 through October 2011. \$ 91,800

\$254,228 2004 2.8% Note payable, Comerica Bank; due in semi-annual installments ranging from \$42,965 to \$45,931 including interest, beginning October 2004 through April 2007. 42,371

Total notes 134,171

Accrued compensated absences 37,860

Total long-term obligations \$ 172,031

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

**NOTE 8 - LONG-TERM OBLIGATIONS (Continued):**

**Business-type activities:**

**Contracts payable:**

Contract with county to provide payment for Western Calhoun County Sanitary Sewer System No. 28 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2017, principal installment is \$75,000 \$ 825,000

Contract with county to provide payment for Calhoun County Water Supply System Series 1997 (Township of Pennfield) Bond, bearing interest at 5% to 7%, maturing each year through 2032, principal installments range from \$25,000 to \$125,000 2,175,000

Contract with county to provide payment for Calhoun County Water Supply System No. 6, 1993 (Township of Pennfield) Bond, bearing interest at 5%, maturing each year through 2022, principal installments range from from \$30,000 to \$45,000 645,000

Total business-type activities long-term obligations \$ 3,645,000

Long-term obligation activity for the year ended March 31, 2007, was as follows:

	<i>Beginning balance</i>	<i>Additions</i>	<i>Reductions</i>	<i>Ending balance</i>	<i>Amounts due within one year</i>
<b>Governmental activities:</b>					
2004 County Drain Contract	\$ 114,750	\$ -	\$ (22,950)	\$ 91,800	\$ 22,950
2004 Note	<u>127,114</u>	<u>-</u>	<u>(84,743)</u>	<u>42,371</u>	<u>42,371</u>
Total contracts and notes	241,864	-	(107,693)	134,171	65,321
Compensated absences	<u>27,658</u>	<u>10,202</u>	<u>-</u>	<u>37,860</u>	<u>4,000</u>
Total governmental activities long-term obligations	<u>\$ 269,522</u>	<u>\$ 10,202</u>	<u>\$ (107,693)</u>	<u>\$ 172,031</u>	<u>\$ 69,321</u>
<b>Business-type activities:</b>					
Sewer contract payable	\$ 900,000	\$ -	\$ (75,000)	\$ 825,000	\$ 75,000
1997 contract payable	2,205,000	-	(30,000)	2,175,000	30,000
1993 contract payable	<u>675,000</u>	<u>-</u>	<u>(30,000)</u>	<u>645,000</u>	<u>30,000</u>
Total business-type activities long-term obligations	<u>\$ 3,780,000</u>	<u>\$ -</u>	<u>\$ (135,000)</u>	<u>\$ 3,645,000</u>	<u>\$ 135,000</u>

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

NOTE 8 - LONG-TERM OBLIGATIONS (Continued):

At March 31, 2007, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended</u> <u>March 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 65,321	\$ 593	\$ 155,000	\$ 185,356
2009	22,950	-	165,000	177,231
2010	22,950	-	165,000	168,856
2011	22,950	-	165,000	160,544
2012	-	-	165,000	152,269
2013 - 2017	-	-	825,000	635,775
2018 - 2022	-	-	735,000	433,143
2023 - 2027	-	-	545,000	259,280
2028 - 2032	-	-	600,000	114,004
2033	-	-	125,000	3,250
Totals	<u>\$ 134,171</u>	<u>\$ 593</u>	<u>\$ 3,645,000</u>	<u>\$ 2,289,708</u>

All debt is secured by the full faith and credit of the Township.

NOTE 9 - DEFINED BENEFIT PENSION PLAN:

*Plan description:*

The Township's defined benefit pension plan provides retirement benefits to qualified employees and their beneficiaries. The Township's defined benefit pension plan is affiliated with the Municipal Employees' Retirement System of Michigan (MERS), an agent, multiple-employer, public employee retirement system that acts as a common investment and administrative agent for municipalities in Michigan. Public Act 220 of 1996 of the State of Michigan assigns the authority to establish and amend the benefit provisions to the Township. The MERS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to Municipal Employees' Retirement System of Michigan, 447 N. Canal, Lansing, Michigan 48917, or by calling 1-800-767-6377.

*Funding policy:*

MERS members are required to contribute an amount varying between 0 and 10 percent, based on the benefit structure established by each employer. The Township is required to contribute at an actuarially determined rate, which currently is 11.66 percent. Covered employees are required to contribute 4.50% to the plan. Administrative costs of the plan are financed through investment earnings.

**Charter Township of Pennfield**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**

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**NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued):**

*Annual pension cost:*

For the year ended March 31, 2007, the Township's annual pension cost of \$63,220 for its defined benefit pension plan equaled the required contributions. The required contribution was determined as part of the March 31, 2005, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included a) 8 percent investment rate of return, net of administrative expenses, b) projected salary increases of 4.5 percent per year, and c) no cost of living adjustments. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five-year period. The plan has an unfunded actuarial accrued liability, which is being amortized over 30 years as a level percentage of payroll.

*Trend information:*

<i>Fiscal year ended March 31,</i>	<i>Annual pension cost (APC)</i>	<i>Percentage of APC contributed</i>	<i>Net pension obligation</i>
2005	51,622	100%	-
2006	63,208	100%	-
2007	63,220	100%	-

**NOTE 10 - CLAIMS ARISING FROM RISKS OF LOSS:**

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Risks of losses arising from possible claims are managed through the purchase of commercial insurance. Coverage for general, professional, and wrongful act liabilities are set at \$5,000,000 per incident, with policy period maximums at \$5,000,000 to \$15,000,000. Fleet liability coverage includes bodily injury and property damage liability protection up to \$5,000,000 and damage coverage at replacement value for fire and rescue vehicles up to approximately \$1,200,000, and at cash values for other Township vehicles. Buildings and property coverage total approximately \$4,000,000. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

**NOTE 11 - CONSTRUCTION CODE ACT:**

A summary of construction code enforcement transactions for the year ended March 31, 2007, is as follows:

Revenues	\$ 49,162
Expenses	<u>(63,000)</u>
Deficiency of revenues over expenses	<u>\$ (13,838)</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Charter Township of Pennfield**  
**BUDGETARY COMPARISON SCHEDULE - General Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 303,307	\$ 303,307	\$ 301,821	\$ (1,486)
State grants	690,520	690,520	673,685	(16,835)
Federal grants	-	24,919	24,919	-
Fines and forfeitures	42,200	42,200	49,578	7,378
Licenses and permits	138,050	139,550	75,308	(64,242)
Charges for services	26,200	26,200	24,798	(1,402)
Interest and rentals	32,869	37,269	91,173	53,904
Other	15,230	334,451	338,738	4,287
<b>Total revenues</b>	<u>1,248,376</u>	<u>1,598,416</u>	<u>1,580,020</u>	<u>(18,396)</u>
<b>EXPENDITURES</b>				
Legislative:				
Township Board	<u>9,450</u>	<u>8,500</u>	<u>7,650</u>	<u>850</u>
General government:				
Supervisor	58,232	58,157	54,957	3,200
Elections	39,862	28,062	16,565	11,497
Assessor	52,289	52,289	50,705	1,584
Clerk	55,427	56,427	54,645	1,782
General Office	151,924	156,844	140,159	16,685
Treasurer	56,090	56,090	55,134	956
Buildings and Grounds	14,770	16,845	15,804	1,041
Other	<u>56,036</u>	<u>60,986</u>	<u>29,626</u>	<u>31,360</u>
<b>Total general government</b>	<u>484,630</u>	<u>485,700</u>	<u>417,595</u>	<u>68,105</u>
Public safety:				
Police protection	745,628	755,305	752,120	3,185
Fire protection	426,089	436,648	367,351	69,297
Building inspection	79,779	80,492	63,000	17,492
Ordinance enforcement	<u>41,134</u>	<u>41,134</u>	<u>36,132</u>	<u>5,002</u>
<b>Total public safety</b>	<u>1,292,630</u>	<u>1,313,579</u>	<u>1,218,603</u>	<u>94,976</u>
Public works:				
Street lights	64,000	71,300	71,003	297
Drains	<u>2,860</u>	<u>2,860</u>	<u>2,357</u>	<u>503</u>
<b>Total public works</b>	<u>66,860</u>	<u>74,160</u>	<u>73,360</u>	<u>800</u>

**Charter Township of Pennfield**  
**BUDGETARY COMPARISON SCHEDULE - General Fund (continued)**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
Community and economic development:				
Planning and Zoning	<u>23,530</u>	<u>23,530</u>	<u>13,446</u>	<u>10,084</u>
Debt service:				
Principal	<u>107,693</u>	<u>107,693</u>	<u>107,693</u>	<u>-</u>
Interest	<u>7,257</u>	<u>2,989</u>	<u>2,989</u>	<u>-</u>
Total debt service	<u>114,950</u>	<u>110,682</u>	<u>110,682</u>	<u>-</u>
Capital outlay	<u>31,000</u>	<u>360,649</u>	<u>360,499</u>	<u>150</u>
Total expenditures	<u>2,023,050</u>	<u>2,376,800</u>	<u>2,201,835</u>	<u>174,965</u>
<b>DEFICIENCY OF REVENUES OVER EXPENDITURES</b>	<u>(774,674)</u>	<u>(778,384)</u>	<u>(621,815)</u>	<u>156,569</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer from Street Lights Fund	<u>64,000</u>	<u>64,000</u>	<u>67,207</u>	<u>3,207</u>
Transfer from Public Safety Fund	<u>626,674</u>	<u>626,674</u>	<u>628,090</u>	<u>1,416</u>
Transfer to Water Fund	<u>-</u>	<u>(245,695)</u>	<u>(245,695)</u>	<u>-</u>
Total other financing sources	<u>690,674</u>	<u>444,979</u>	<u>449,602</u>	<u>4,623</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>(84,000)</u>	<u>(333,405)</u>	<u>(172,213)</u>	<u>161,192</u>
<b>FUND BALANCES - BEGINNING</b>	<u>2,018,418</u>	<u>2,018,418</u>	<u>2,018,418</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 1,934,418</u>	<u>\$ 1,685,013</u>	<u>\$ 1,846,205</u>	<u>\$ 161,192</u>

**Charter Township of Pennfield**  
**BUDGETARY COMPARISON SCHEDULE - Public Safety Fund**  
Year ended March 31, 2007

	<u>Original budget</u>	<u>Amended budget</u>	<u>Actual</u>	<u>Variance favorable (unfavorable)</u>
<b>REVENUES</b>				
Property taxes	\$ 598,000	\$ 598,000	\$ 598,956	\$ 956
Interest	<u>-</u>	<u>-</u>	<u>897</u>	<u>897</u>
Total revenues	<u>598,000</u>	<u>598,000</u>	<u>599,853</u>	<u>1,853</u>
<b>OTHER FINANCING USES</b>				
Transfer to General Fund	<u>(598,000)</u>	<u>(598,000)</u>	<u>(598,956)</u>	<u>(956)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	-	897	897
<b>FUND BALANCES - BEGINNING</b>	<u>18,582</u>	<u>18,582</u>	<u>18,582</u>	<u>-</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ 18,582</u>	<u>\$ 18,582</u>	<u>\$ 19,479</u>	<u>\$ 897</u>



**Charter Township of Pennfield**  
**ANALYSIS OF FUNDING PROGRESS - Employee Retirement System**  
**(Municipal Employees' Retirement System of Michigan)**

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The information presented in the required supplementary schedule was determined as part of the actuarial valuations at the dates indicated.

<i>Actuarial valuation date December 31,</i>	<i>Actuarial value of assets (a)</i>	<i>Actuarial accrued liability (AAL) entry age (b)</i>	<i>Funded ratio (a)/(b)</i>	<i>Underfunded AAL (UAAL) (b-a)</i>	<i>Covered payroll (c)</i>	<i>UAAL as a percentage of covered payroll ((b-a)/c)</i>
2003*	\$ 625,375	\$ 1,035,424	60%	\$ 410,049	\$ 482,911	85%
2004	729,253	1,156,303	63%	427,050	501,329	85%
2005	826,347	1,289,537	64%	463,190	544,149	85%

\*Plan participation began June 1, 2003.

## **SUPPLEMENTARY INFORMATION**

**Charter Township of Pennfield**  
**COMBINING BALANCE SHEET - nonmajor governmental funds**  
*March 31, 2007*

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	<b><u>Street Lights</u></b>	<b><u>Park</u></b>	<b><u>Metro Act</u></b>	<b><u>Totals</u></b>
<b>ASSETS</b>				
Cash	\$ -	\$ 12,206	\$ 16,420	\$ 28,626
Receivable, net	<u>6,319</u>	<u>-</u>	<u>-</u>	<u>6,319</u>
Total assets	<u>\$ 6,319</u>	<u>\$ 12,206</u>	<u>\$ 16,420</u>	<u>\$ 34,945</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities - due to other funds	\$ 6,319	\$ -	\$ -	\$ 6,319
Fund balances - unreserved, undesignated	<u>-</u>	<u>12,206</u>	<u>16,420</u>	<u>28,626</u>
Total liabilities and fund balances	<u>\$ 6,319</u>	<u>\$ 12,206</u>	<u>\$ 16,420</u>	<u>\$ 34,945</u>

**Charter Township of Pennfield****COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES - nonmajor governmental funds**

Year ended March 31, 2007

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	<u>Street Lights</u>	<u>Park</u>	<u>Metro Act</u>	<u>Totals</u>
<b>REVENUES</b>				
Property taxes	\$ 67,207	\$ -	\$ -	\$ 67,207
State grants	-	-	11,679	11,679
Interest	-	550	-	550
	<u>-</u>	<u>550</u>	<u>-</u>	<u>550</u>
Total revenues	<u>67,207</u>	<u>550</u>	<u>11,679</u>	<u>79,436</u>
<b>EXPENDITURES</b>				
Capital outlay	-	-	10,802	10,802
	<u>-</u>	<u>-</u>	<u>10,802</u>	<u>10,802</u>
Total expenditures	<u>-</u>	<u>-</u>	<u>10,802</u>	<u>10,802</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>67,207</u>	<u>550</u>	<u>877</u>	<u>68,634</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer to General Fund	(67,207)	-	-	(67,207)
	<u>(67,207)</u>	<u>-</u>	<u>-</u>	<u>(67,207)</u>
Total other financing sources (uses)	<u>(67,207)</u>	<u>-</u>	<u>-</u>	<u>(67,207)</u>
<b>NET CHANGES IN FUND BALANCES</b>	-	550	877	1,427
<b>FUND BALANCES - BEGINNING</b>	<u>-</u>	<u>11,656</u>	<u>15,543</u>	<u>27,199</u>
<b>FUND BALANCES - ENDING</b>	<u>\$ -</u>	<u>\$ 12,206</u>	<u>\$ 16,420</u>	<u>\$ 28,626</u>